

A GROWING ECONOMY, A HEALTHY WORLD: AMERICAN POLICY ON TRADE AND THE ENVIRONMENT

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Thank you very much. I am very pleased to be here this afternoon with the Progressive Policy Institute and each of you, to discuss the relationship between trade and the environment.

This is a complex and challenging topic. It is at times a source of controversy among trade thinkers and environmentalists alike. But I believe the debate it raises is good for us. It will help us create better trade policies and better environmental policies, and ultimately improve both the living standards and the quality of life for Americans and our neighbors.

AMERICAN GOALS

Let me begin with the basic question our topic raises. In essence, it asks us to integrate two visions of our country:

- The “American Dream,” in which individuals are free to seek their own destiny and living standards rise for each generation.
- And “America the Beautiful,” in which we enjoy and guarantee for the next generation clean air, clean water, and a natural heritage unmatched in the world.

Each of us wants a prosperous world, in which we have opportunities to grow and ensure that our people can use their talents to the maximum extent. And each of us want a healthy world, which offers its people clean air and water; unspoiled lands and abundant wildlife; safe, reliable supplies of food and clean drinking water; and the confidence that these will still be here for our children.

And some believe we must choose between these visions. But I believe our experience over the past thirty years shows that, with care and foresight, we can have both. And that is the foundation of our Administration’s approach to the world economy as well as domestic policy.

THE RECORD AT HOME

Our modern environmental laws and policies date back approximately thirty years. They have given us an infrastructure of pollution prevention and cleanup; protection of endangered

species and biodiversity; sustainable resource management; and consideration of environmental effects during policy decisions that have significantly improved America's air, water, and public health. In that time, Congress has debated and passed the Tokyo Round and the Uruguay Round of trade negotiations, opening world trade not only through tariff reductions but through addressing non-tariff barriers, agriculture, services and other issues; our GDP has more than doubled in size; and our economy has offered employment to more 50 million more Americans.

This combination of a growing economy and an improving environment has continued during the Clinton Administration. Since 1992:

- Our GDP has risen in real terms from \$7.2 to \$8.8 trillion.
- We have created 19 million new jobs, and seen wages reverse the declining trend of the 1980s to grow by 6% in real terms.
- Our manufacturing industry has expanded by \$400 billion, including 53% growth in output of motor vehicles; 10% growth in textile production; and 20% growth in steel production.
- And America's high-tech industries -- from software to telecom to aerospace and agriculture -- have created an era of innovation, scientific progress, and commercial success perhaps unrivaled since the invention of mass production in the 1920s.

At the same time, America's environment has become cleaner, healthier and more secure. With the leadership of Administrator Browner, Secretary Glickman and Secretary Babbitt we have:

- Revised and improved the Safe Drinking Water Act, giving millions of Americans stronger guarantees of safe and healthy water.
- Protected 150 million acres of unspoiled land across America – close to the record Theodore Roosevelt set with the foundation of the National Park System a century ago.
- Strengthened and improved enforcement of the Clean Air Act, improving air quality for over 160 million Americans.
- And upgraded our food inspection policies both for imported and domestic foods.

THE INTERNATIONAL CHALLENGE

At home we have proven that the American Dream and America the Beautiful – growth and the quality of life – are not values in conflict. And if we can have both at home, we can have both abroad.

Through trade policy – in addition to finance, international development assistance, business facilitation and other international economic policies – we work to create opportunity here and worldwide. The nearly 300 trade agreements we have concluded since the beginning of the Clinton Administration have contributed to a substantial opening of markets worldwide; strengthened guarantees of fairness for American workers; created international rules for intellectual property, services, and agriculture; and in doing so have helped develop the freer

markets and rule of law that will promote growth and development worldwide in years to come.

This goes together with initiatives that directly address environmental problems beyond our borders and in the global commons – climate change, loss of biodiversity, climate change, overexploitation of the oceans, degradation of the air and water in developing countries. To cite just a few examples, we are working with the UN Environmental Program and providing technical assistance to help developing countries protect their environment. We are working to preserve fragile habitats through the International Coral Reef Initiative, increase conservation and sustainable management of shared fisheries, conserve the world's threatened biological diversity through the Global Environmental Facility and strengthen the protection of threatened and endangered species through the implementation of the Convention for International Trade in Endangered Species (CITES). We are striving to reduce or eliminate the dangers posed by hazardous chemicals; protect the ozone layer through the Montreal Protocol; and address the challenge of climate change through the Kyoto agreement and clean energy development strategies. Several of these international agreements involve restrictions on trade – the Montreal Protocol bans chlorofluorocarbons; CITES restricts trade in endangered plants and animals; and this is consistent with the rules of trade we have developed over the years.

As the President noted last week, however, there are still some who believe these policy initiatives are in conflict with one another. We disagree. The world needs both an open, fair trading environment and environmental protection; and it can have both.

To begin with, development is essential for environmental protection in the long term. Impoverished countries fundamentally lack the resources to employ the latest pollution prevention strategies, buy waste-water treatment plants and power plant scrubbers; or to train and hire environmental enforcement professionals. And although the growth that leads to development can pose the risk of environmental damage, ultimately industrial growth will come with or without trade; and experience shows us that it is precisely those countries which did not participate in trade as they grew – the Soviet Union, North Korea, China – that today suffer most intensely from pollution and environmental destruction. Thus, the answer is not to back away from trade liberalization but to pursue it together with environmental protection.

TRADE AND THE ENVIRONMENT

The challenge, then, is to design trade and environmental policies that they reinforce one another. They should:

- Contribute to the development which helps countries gain the resources to protect their environment;
- Avoid restrictions on trade which distort economies and reduce opportunity, while ensuring that all countries have the right and ability to set high levels of environmental and public health in a manner consistent with science-based regulation; and
- Complement and support one another whenever possible.

And this is the philosophy we bring to our work at the World Trade Organization.

The WTO has an absolutely essential function in opening markets, promoting the rule of law, and ultimately supporting world economic growth. At the same time, the rules its members develop must be supportive of fair and scientifically based policies to protect the environment, consumers and human health.

Our creation of the WTO in 1995, placing sustainable development in the institution's Preamble, makes clear that the rules respect these values. Indeed, since its inception in 1947, both the General Agreement on Tariffs and Trade (the WTO's predecessor agreement) and now the WTO Agreements have contained environment, natural resources, health, and safety exceptions to the agreements' obligations. And when we look to the future, we have developed a set of principles that will ensure that trade policies address environmental concerns and contribute to our aspiration for a better world environment, as they also promote growth, opportunity and development in America and worldwide.

HIGH DOMESTIC STANDARDS

First, in no case will a trade agreement compromise our own high levels of environmental protection, consumer protection, or public health.

The WTO does, and must continue to, recognize the right of all its members to set levels of environmental protection and consumer safety, including at even higher levels than common international standards, while helping to ensure that environmental measures are not used as disguised trade barriers. Environmental policies should not be abused to create trade barriers with no scientific basis. And our five years of experience with the WTO shows that this a principle the trading system honors in practice.

At the most basic level, of course, no trade commitment has prevented us from taking the legal and regulatory steps which led to the environmental advances I noted earlier: enforcement of our existing environmental laws, improvement of the Safe Drinking Water Act in 1996, higher air quality, protection of wild lands. As our initiatives at the WTO have helped to open markets and create opportunity, we have also a protection of air, water and wildlife as strong or stronger than before.

Our experience also shows that trade rules not only go together with strengthening environmental protection in the aggregate, but that at more detailed levels the WTO Agreements and the dispute settlement mechanism we use to enforce them respect our scientifically based environmental standards.

To begin with, any challenge to our policies in this area is rare: we have participated in eighty-two dispute settlement cases, as plaintiff or defendant, since the WTO was created. Of these only two relate to environmental issues. Some argue that these two cases show the WTO

does not respect the rights of governments to pursue important environmental objectives. However, a closer examination shows that this is not the case. And while we have not agreed with all aspects of the decisions in these cases, the decisions and actions we have taken in response have allowed us both to meet our trade commitments and fully maintain our commitment to environmental protection.

The first case involved a challenge by Venezuela and Brazil to one of the 201 regulations issued to enforce the Clean Air Act between 1990 and 1994. The panel found that an element of the regulation, which pertained to gasoline, was discriminatory, as it required foreign refineries to meet a “baseline” requirement for the pollution characteristics that was different from that which applied to domestic producers. In response, our Environmental Protection Agency revised the regulation in a manner consistent with both Clean Air Act objectives and the principles of non-discrimination.

In the second, three Asian countries challenged our requirement for shrimping boats to use Turtle Excluder Devices -- that is, a type of trap-door which ensures that accidentally netted sea turtles can escape. The panel did not find fault with our law, but raised concerns about its implementation, notably because domestic legal proceedings had given our Asian trading partners only four months to comply, while Caribbean Basin nations had three years. Our response to this decision has in fact helped us strengthen our sea turtle protection policies -- for example, the National Marine Fisheries Service is increasing its efforts to provide technical training to other countries in the design, construction and installation of Turtle Exclusion Devices, and the State Department has intensified its effort to get at the root of the problem through negotiating an agreement on sea-turtle protection in the Indian Ocean.

CONSIDERING ENVIRONMENTAL IMPLICATIONS EARLY

Second, early consideration of the potential environmental effects of new trade initiatives.

In the Uruguay Round and North American Free Trade Agreement -- our largest two agreements -- we found formal environmental reviews, conducted by our own agencies, an important and valuable means of identifying trade and environment linkages, both positive and negative. We have committed to another such review in the case of the new Round we will launch at the Seattle Ministerial, and are encouraging other countries to conduct such reviews as well.

Most recently, in the WTO initiative for accelerated elimination of tariffs on forest products, we have responded to citizen groups concerned about the potential effects of trade in sensitive natural resources. A report on this initiative, conducted by our environmental and land management agencies under the oversight of USTR and the Council on Environmental Quality, will be completed soon.

And at the WTO, in the Uruguay Round we created a Committee on Trade and the

Environment, which in the past five years has served as an institutional forum for WTO members to address issues related to trade and the environment. The Committee will prove especially valuable in the new Round, during which we propose to use it to identify and consider the environmental implications of the negotiations as they proceed.

COMPLEMENTARY “WIN-WIN” INITIATIVES

This brings me to my third point: our work to find areas in which the opening of trade and protection of the environment complement one another.

In some cases, governments are subsidizing environmentally destructive behavior. This is an especially difficult problem in the global commons, as shown perhaps most strikingly in the fishery sector. The world now is taking fish from the ocean at a level far beyond that at which fish stocks can recover. And as fish catches fall, governments are providing anywhere from \$15-20 billion in subsidies that maintain and even increase this unsustainable level of activity. The proper response, both as trade policy and as natural resource policy, is to eliminate these subsidies – and we have set this as a goal for the new Round.

A similar case is evident in agriculture, where trade-distorting export subsidies encourage environmentally damaging behavior, and elimination of these subsidies will reduce pressure on land and water.

Likewise, in a number of areas trade barriers weaken the ability of countries, especially in the developing world, to guarantee for their people clean air and clean water. As I noted in considering the environmental importance of economic development, the infrastructure of environmental protection is often very expensive. State of the art pollution prevention technologies, waste-water treatment plants, efficient power generation, pollution monitoring equipment and power plant scrubbers are all high-tech, high-cost items. This is clear when you look at the sheer size of the environmental technology market, now estimated to total \$420 billion a year worldwide.

However, some governments worsen this cost problem for themselves. Adding to the basic cost of infrastructure through high tariffs, or requiring endless paperwork and licensing fees before an environmental monitoring or waste disposal firm can begin to do business, can make environmental protection unaffordable. And these barriers can be substantial.

To cite just few examples, Malaysia imposes a 30% tariff on hydraulic presses for recycling equipment, China charges a 20% tariff for exposure meters, and Thailand has tariffs of 25% on pumps for sewage treatment, and 20% on oil spill protection and recovery equipment. These are significant added costs for city or national governments writing annual budgets; and the result is slower progress towards clean air and water. A second priority of ours in the Round, therefore, will be to complete APEC’s goal of ending tariffs on environmental technologies, energy equipment and scientific instruments; and liberalizing the environmental service sector

worldwide. Thus we will both facilitate environmental protection overseas, and create new export opportunities in one of the world's largest and fastest-growing markets.

TRANSPARENCY AND CITIZEN PARTICIPATION

Fourth, and perhaps ultimately most important, we are working to increase transparency and citizen participation in the trading system.

At home, government at its best draws ideas from many sources. Environmental protection is a case in point; citizen participation in the policy process has always been critical to our environmental reforms. Likewise, over the long run, the WTO will develop the best, and most widely supported, policies if the decisions its members make rest on the widest possible spectrum of ideas and advice.

In the past, as President Clinton said in his remarks last Wednesday, some in the trade world have treated the WTO as an elite institution. That may have worked when trade was a relatively small part of our economy; it does not work today. We are therefore working toward significant institutional changes and reforms. And we have made a reasonably good start.

Most notably, at our suggestion, the WTO held a "High-Level Meeting" this March focusing on trade and the environment. This meeting brought trade officials and members of the WTO Secretariat together with environmental officials and NGOs from all over the world. The 22-member delegation I led included senior officials of the Environmental Protection Agency, the White House's Council on Environmental Quality, the National Oceanic and Atmospheric Administration and the State Department. We hope to see more such events in the future, and a greater degree of cooperation between the WTO and international environmental organizations such as the UN Environmental Program as well.

But we should go much further. On a broad scale, the WTO can become more open, transparent and accessible to the public. Far too much of its business takes place behind closed doors. Not that this makes it exciting -- the delegates are representatives of governments whose positions are well-known, and their remarks in WTO sessions are not especially more lively than the trade speeches you hear in public. But any meeting, especially in a judicial or quasi-judicial forum like dispute settlement, that takes place behind closed doors makes people curious and often suspicious.

For the trading system to gain the support it should have -- as a source of prosperity; as a method of advancing the rule of law; as a way to promote the principles of freedom, open markets and fair play -- it has to do better. And therefore, as the Ministerial approaches, we are calling on the WTO to do better.

We have asked our WTO partners to agree to release documents and decisions more rapidly. To give the public and citizen groups more ability to meet with delegations and staff,

through improved consultative mechanisms rather than periodic meetings alone. To provide the opportunity to file amicus briefs in dispute proceedings. And to open dispute settlement proceedings to public observers. In the interim, we have a standing offer to open any proceedings to which we are a party, if our partner in the dispute agrees.

CONCLUSION

High domestic standards; thoughtful consideration of new initiatives; adherence to science in regulation; finding the areas in which environmental protection and open trade directly complement one another; creating a more open, transparent and accessible system.

Together with them, an opening world market; the advance of the rule of law; a trading system that offers Americans, and our trading partners, greater opportunities to grow, create new and better economic opportunities; and expect a rising standard of living in the years to come.

This is a careful, considered program. It is the result of a great deal of consultation with environmental groups, business associations, academics and our trading partners. Some of it is controversial overseas, and will take time to achieve.

But ultimately, it will help us reach the goal that I believe we all share: that is, a growing world economy, which offers people in America and overseas greater opportunities; and a healthy world for the generation to come. It is that simple. And the time to start is now.

Thank you very much.